



Pacific Online Limited  
太平洋網絡有限公司

# INTERIM REPORT 2020

Incorporated in the Cayman  
Islands with limited liability

Stock Code : **543**





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Dr. Lam Wai Yan  
*(Chairman and Chief Executive Officer)*  
Mr. Ho Kam Wah  
Mr. Wang Ta-Hsing

#### Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec  
Mr. Thaddeus Thomas Beczak  
Mr. Lam Wai Hon, Ambrose

### COMPANY SECRETARY

Mr. Wong Huk Yung, Hudson

### AUTHORISED REPRESENTATIVES

Mr. Wang Ta-Hsing  
Mr. Wong Huk Yung, Hudson

### AUDIT COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*  
Mr. Thaddeus Thomas Beczak  
Mr. Lam Wai Hon, Ambrose

### REMUNERATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(Chairman)*  
Mr. Thaddeus Thomas Beczak  
Mr. Lam Wai Hon, Ambrose

### NOMINATION COMMITTEE

Dr. Lam Wai Yan *(Chairman)*  
Mr. Tsui Yiu Wa, Alec  
Mr. Thaddeus Thomas Beczak

### PRINCIPAL BANKERS

Bank of China  
China Construction Bank  
China Merchants Bank  
OCBC Wing Hang Bank

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
Second Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Second Floor, Century Yard  
Cricket Square, P.O. Box 902  
Grand Cayman, KY1-1103  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS

115 Gaopu Road  
Tianhe, Guangzhou  
PRC  
Postcode: 510663

### PLACE OF BUSINESS IN HONG KONG

Portion of Unit 807, Tower 2  
Lippo Centre, 89 Queensway  
Hong Kong

### GROUP'S PORTAL ADDRESSES

[www.pconline.com.cn](http://www.pconline.com.cn)  
[www.pcauto.com.cn](http://www.pcauto.com.cn)  
[www.pclady.com.cn](http://www.pclady.com.cn)  
[www.pcbaby.com.cn](http://www.pcbaby.com.cn)  
[www.pchouse.com.cn](http://www.pchouse.com.cn)

### WEBSITE ADDRESS

[corp.pconline.com.cn](http://corp.pconline.com.cn)

### STOCK CODE

543

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	6	<b>391,910</b>	500,937
Cost of revenue		<b>(146,514)</b>	(209,890)
<b>Gross profit</b>		<b>245,396</b>	291,047
Selling and marketing costs		<b>(90,077)</b>	(122,605)
Administrative expenses		<b>(46,565)</b>	(35,457)
Net impairment losses on financial assets	14(a)	<b>(40,554)</b>	(8,940)
Product development expenses		<b>(32,673)</b>	(37,882)
Other income	7	<b>7,730</b>	4,873
<b>Operating profit</b>		<b>43,257</b>	91,036
Finance income		<b>4,514</b>	3,972
Finance cost		<b>(511)</b>	(848)
Finance income — net	8	<b>4,003</b>	3,124
Share of net losses of an associate accounted for using the equity method		—	(356)
<b>Profit before income tax</b>		<b>47,260</b>	93,804
Income tax expense	9	<b>(8,901)</b>	(17,117)
<b>Profit for the period</b>		<b>38,359</b>	76,687
<b>Attributable to:</b>			
— Equity holders of the Company		<b>37,296</b>	76,024
— Non-controlling interests		<b>1,063</b>	663
		<b>38,359</b>	76,687
<b>Earnings per share for profit attributable to equity holders of the Company for the period</b>	10		
— Basic (RMB)		<b>3.31 cents</b>	6.76 cents
— Diluted (RMB)		<b>3.31 cents</b>	6.76 cents

The above condensed consolidated interim income statement should be read in conjunction with the accompanying notes.



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>38,359</b>	76,687
<i>Items that will not be reclassified to profit or loss</i>		
Changes in value of investment in equity fund	<b>(2,988)</b>	19,869
<b>Other comprehensive income for the period, net of tax</b>	<b>(2,988)</b>	19,869
<b>Total comprehensive income for the period</b>	<b>35,371</b>	96,556
<b>Attributable to:</b>		
— Equity holders of the Company	<b>34,308</b>	95,893
— Non-controlling interests	<b>1,063</b>	663
	<b>35,371</b>	96,556

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2020

	Note	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	12	15,548	15,774
Property and equipment	12	201,675	173,383
Investment property	12	48,650	43,282
Intangible assets	12	9,262	9,477
Deferred income tax assets	13	52,181	50,489
Other receivables	14	2,924	—
Investment in equity fund	15	49,888	52,876
		<b>380,128</b>	345,281
<b>Current assets</b>			
Trade and other receivables, notes receivable and prepayments	14	565,398	644,472
Short-term bank deposits with original terms of over three months		—	2,100
Cash and cash equivalents		331,503	425,942
		<b>896,901</b>	1,072,514
<b>Total assets</b>		<b>1,277,029</b>	1,417,795
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Ordinary shares	16	10,491	10,491
Reserves		912,167	991,931
		<b>922,658</b>	1,002,422
<b>Non-controlling interests</b>		<b>4,685</b>	3,622
<b>Total equity</b>		<b>927,343</b>	1,006,044

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		45	14
Deferred income tax liabilities	13	2,500	—
		<b>2,545</b>	14
<b>Current liabilities</b>			
Accruals and other payables	17	256,255	316,384
Contract liabilities		49,000	45,956
Current income tax liabilities		41,593	49,004
Lease liabilities		293	393
		<b>347,141</b>	411,737
<b>Total liabilities</b>		<b>349,686</b>	411,751
<b>Total equity and liabilities</b>		<b>1,277,029</b>	1,417,795

**Lam Wai Yan**  
*Director*

**Wang Ta-Hsing**  
*Director*

The above condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 30 JUNE 2020



Unaudited												
Attributable to equity holders of the Company												
Note	Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Shares held for Share Award Scheme RMB'000 <small>Note 18 (a)</small>	Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000	
<b>Six months ended 30 June 2020</b>												
	<b>Balance at 1 January 2020</b>	10,491	399,201	4	306	(10,229)	43,418	21,679	537,552	1,002,422	3,622	1,006,044
<b>Comprehensive income</b>												
	Profit for the period	—	—	—	—	—	—	37,296	37,296	1,063	38,359	
	Other comprehensive income											
	— change in value of investment in equity fund	15	—	—	—	—	—	(2,988)	—	(2,988)	—	(2,988)
	<b>Total comprehensive income</b>	—	—	—	—	—	—	(2,988)	37,296	34,308	1,063	35,371
<b>Transactions with equity holders</b>												
	Share Award Scheme											
	— value of employee services (Note 18(a))	11	—	—	—	8,090	—	—	—	8,090	—	8,090
	Cash dividends relating to 2019	11	—	—	—	—	—	(122,162)	(122,162)	—	—	(122,162)
	<b>Balance at 30 June 2020</b>	10,491	399,201	4	306	(2,139)	43,418	18,691	452,686	922,658	4,685	927,343
Unaudited												
Attributable to equity holders of the Company												
Note	Ordinary shares RMB'000	Share premium RMB'000	Merger reserve RMB'000	Capital redemption reserve RMB'000	Shares held for Share Award Scheme RMB'000 <small>Note 18 (a)</small>	Statutory reserve funds RMB'000	Investment in equity fund RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non- controlling interests RMB'000	Total RMB'000	
<b>Six months ended 30 June 2019</b>												
	<b>Balance at 1 January 2019</b>	10,491	399,201	4	306	(10,749)	43,418	14,435	537,561	994,667	2,066	996,733
<b>Comprehensive income</b>												
	Profit for the period	—	—	—	—	—	—	76,024	76,024	663	76,687	
	Other comprehensive income											
	— change in value of investment in equity fund	15	—	—	—	—	—	19,869	—	19,869	—	19,869
	<b>Total comprehensive income</b>	—	—	—	—	—	—	19,869	76,024	95,893	663	96,556
<b>Transactions with equity holders</b>												
	Share Award Scheme											
	— value of employee services (Note 18(a))	11	—	—	—	520	—	—	520	—	520	
	Cash dividends relating to 2018	11	—	—	—	—	—	(153,133)	(153,133)	—	(153,133)	
	<b>Balance at 30 June 2019</b>	10,491	399,201	4	306	(10,229)	43,418	34,304	460,452	937,947	2,729	940,676

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Unaudited Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		79,856	24,297
Income tax paid		(15,504)	(30,498)
Net cash generated from/(used in) operating activities		64,352	(6,201)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(41,474)	(2,149)
Disposals of property and equipment		196	85
Placement of short-term bank deposits with original terms of over three months		—	(2,250)
Receipt from maturity of short-term bank deposits with original terms of over three months		2,100	50,750
Interest received		3,286	3,972
Net cash (used in)/generated from investing activities		(35,892)	50,408
<b>Cash flows from financing activities</b>			
Cash dividends paid to the Company's shareholders	11	(122,162)	(153,133)
Repayment of lease liabilities		(235)	(208)
Net cash used in financing activities		(122,397)	(153,341)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		425,942	408,191
Exchange losses on cash and cash equivalents		(502)	(848)
<b>Cash and cash equivalents at end of period</b>		<b>331,503</b>	<b>298,209</b>

The above condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.



# NOTES TO THE INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

Pacific Online Limited (the “Company”) was incorporated on 27 August 2007 as an exempted company with limited liability under the Company Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the provision of internet advertising services in the People’s Republic of China (the “PRC”).

The Company has its shares listed on The Stock Exchange of Hong Kong Limited since 18 December 2007.

This condensed consolidated interim financial information (the “Interim Financial Information”) is presented in Renminbi (“RMB”), unless otherwise stated. The Interim Financial Information has been approved by the board of directors (the “Board”) of the Company on 27 August 2020.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim financial reporting”. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

## 3. ACCOUNTING POLICIES

This accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRS effective for the financial year ending 31 December 2020.

Amendments to HKFRS effective for the financial year beginning on 1 January 2020 do not have a material impact on the Group’s financial statements.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, liquidity risk and credit risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since year end.

#### 5.2 Foreign exchange risk

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. To maintain the flexibility in the Company and Hong Kong subsidiaries' payment of daily operation, the Group holds certain monetary assets denominated in US dollar ("USD") or Hong Kong dollar ("HKD") subject to certain thresholds stated in its treasury mandate. This exposes the Group to foreign exchange risk.

At 30 June 2020, if RMB had strengthened/weakened by 0.5% against the HKD/USD with all other variables held constant, post tax profit for the period would have been RMB90,000 lower/higher (31 December 2019: RMB90,000), mainly as a result of net foreign exchange losses/gains in HKD/USD denominated cash at bank. Similarly, the impact on equity would have been RMB249,000 (31 December 2019: RMB264,000) lower/higher coming from USD denominated investment in equity fund classified as financial assets at fair value through other comprehensive income ("FVOCI") as at 30 June 2020.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.3 Price risk

The Group is exposed to price risk because of investments held by the Group and classified on the condensed consolidated interim balance sheet as investment in equity fund.

Investment in equity fund is held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analysis is determined based on the exposure to equity price risks of underlying investments related to investment in equity fund at the end of the reporting period. If equity prices of the respective underlying investments held by the Group had been 5% higher/lower as at 30 June 2020, the other comprehensive income would have been approximately RMB2,494,000 higher/lower (31 December 2019: approximately RMB2,644,000 higher/lower).

#### 5.4 Liquidity risk

The Group aims to finance its operations with its own capital and earnings. It did not have any borrowings or credit facilities committed/utilised during the six months ended 30 June 2020. Management considers that the Group does not have significant liquidity risk.

#### 5.5 Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term bank deposits with original terms of over three months, as well as trade and other receivables. The carrying amount of these balances in the Interim Financial Information represents the Group's maximum exposure to credit risk in relation to its financial assets.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and international financial institutions outside the PRC of high credit quality. There was no recent history of default from these financial institutions.

For trade receivables, since the advertising services revenues were derived from advertising customers and debtors, if they experience financial difficulties in settling the outstanding amounts due to the Group, the Group's online advertising services might be adversely affected in terms of recoverability of receivables. To manage this risk, the Group assesses the credit quality of the customers and debtors, taking into account their financial position, past experience and available forward looking information. Further quantitative disclosures in respect of trade receivables are set out in Note 14.

Other receivables are mainly deductible input value added tax, advances to employees and rental receivables. The directors are of the opinion that no significant credit risk exists.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.6 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Investment in equity fund 30 June 2020	—	—	49,888	49,888
Investment in equity fund 31 December 2019	—	—	52,876	52,876

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at FVOCI) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

#### 5.6 Fair value estimation (continued)

There were no changes in valuation techniques during the period.

The changes in level 3 instruments for the six months ended 30 June 2020 are presented in Note 15.

The directors determine the fair value of the Group's financial instrument carried at fair value in level 3 at each of the reporting dates.

For the six months ended 30 June 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The carrying amounts of the Group's trade and other receivables and accruals and other payables approximate their fair value due to their short maturities.

### 6. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors who make strategic decisions.

The Group is principally engaged in the provision of internet advertising services for different commodities. The chief operating decision-makers review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these internal reports.

The chief operating decision-makers consider the advertising business from the perspective of the different internet portals which it operates. As all revenues of the Group are generated from customers in the PRC, they are not further evaluated on a geographic basis.

The chief operating decision-makers assess the performance of the operating segments based on revenues generated. The reportable operating segments are grouped into PCauto, PConline and others. The Company currently does not allocate cost of revenue, operating costs or assets to its segments, as its chief operating decision-makers do not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Company does not report a measure of profit or total assets for each reportable segment.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 6. SEGMENT INFORMATION (CONTINUED)

Revenues of other segments relate to those generated from other portals, including lady and fashion, baby and home products and other services.

There were no inter-segment sales for the six months ended 30 June 2020 (six months ended 30 June 2019: same). The revenue from external parties reported to the chief operating decision-makers is measured in a manner consistent with that in the condensed consolidated interim income statement. For the six months ended 30 June 2020, the Group's revenue of all segments declined as compared to the same period last year as a result of the impact of the Coronavirus 2019 outbreak.

	<b>PCauto</b> RMB'000 (Unaudited)	<b>POnline</b> RMB'000 (Unaudited)	<b>Others</b> RMB'000 (Unaudited)	<b>Group</b> RMB'000 (Unaudited)
<b>For the six months ended 30 June 2020</b>				
Timing of revenue recognition				
— Over time	<b>313,487</b>	<b>43,950</b>	<b>13,607</b>	<b>371,044</b>
— At a point in time	<b>16,639</b>	<b>2,608</b>	<b>1,619</b>	<b>20,866</b>
Revenue	<b>330,126</b>	<b>46,558</b>	<b>15,226</b>	<b>391,910</b>
<b>For the six months ended 30 June 2019</b>				
Timing of revenue recognition				
— Over time	361,998	65,719	43,519	471,236
— At a point in time	25,670	1,964	2,067	29,701
Revenue	387,668	67,683	45,586	500,937

The Company is domiciled in the Cayman Islands. For the six months ended 30 June 2020, all revenues of the Group were derived from external customers in the PRC (six months ended 30 June 2019: same).

As at 30 June 2020, other than club membership included in the intangible assets and investment in equity fund, majority of the other non-current assets of the Group were located in the PRC (31 December 2019: same).

For the six months ended 30 June 2020, there was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue (six months ended 30 June 2019: except for one customer accounted for 11% of the Group's revenue, no other customers individually accounted for more than 10% of the Group's revenue).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 7. OTHER INCOME

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants	6,163	3,550
Rental income	1,567	1,323
	<b>7,730</b>	4,873

### 8. FINANCE INCOME — NET

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income		
— Interest income	4,514	3,972
Finance cost		
— Interest expense on lease liabilities	(9)	—
— Net foreign exchange losses	(502)	(848)
	<b>4,003</b>	3,124

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 9. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
PRC current tax	8,093	18,636
Deferred taxation	808	(1,519)
	<b>8,901</b>	17,117

Income tax expense is recognised based on management's best estimate of the projected full year annual effective income tax rate.

The Company, which is a Cayman Islands corporation, was not subject to any profits tax. The subsidiaries of the Group incorporated in Hong Kong were not subject to Hong Kong profits tax as they had no assessable income arising in or derived from Hong Kong during the six months ended 30 June 2020 (six months ended 30 June 2019: same).

Current taxation primarily represented the provision for the PRC Corporate Income Tax ("CIT") for subsidiaries operating in the PRC. These subsidiaries are subject to CIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC.

Pursuant to the PRC Corporate Income Tax Law ("CIT Law"), the CIT rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the CIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). Guangzhou Yurui Information Technology Co., Ltd., a PRC operating subsidiary of the Company, was formally designated as HNTE in 2019 and the applicable income tax rate is 15% for the three years from 2019 to 2021. Guangzhou Pacific Computer Information Consulting Co., Ltd. and Guangdong Pacific Internet Information Service Co., Ltd., the principal operating subsidiaries of the Company, successfully renewed the certificate of HNTE in 2017. The valid period of the certificate were three years from 2017 to 2019. The Group was in the process of application for renewal of the certificate. Assuming that there is no change to the relevant laws and regulations, the directors consider that these subsidiaries will be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering current income tax for the period and the deferred income tax.

All the other PRC entities of the Group are subject to CIT at a rate of 25% in accordance with the CIT Law.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 10. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period (excluding the ordinary shares purchased by the Group and held for a restricted share award scheme (the "Share Award Scheme (Note 18(a)))).

	Unaudited Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	37,296	76,024
Weighted average number of ordinary shares for basic earnings per share (thousand shares)	1,127,685	1,124,136
Basic earnings per share (RMB)	3.31 cents	6.76 cents

#### (b) Diluted

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Diluted earnings per share equals to basic earnings per share as there were no potential diluted shares outstanding for the six months ended 30 June 2020 (six months ended 30 June 2019: same).

### 11. DIVIDENDS

A final dividend in respect of the year ended 31 December 2019 of RMB10.80 cents per ordinary share (final dividend in respect of the year ended 31 December 2018: RMB13.62 cents per ordinary share) was approved by the shareholders at the annual general meeting in May 2020. Such final dividend for 2019 totalling RMB122,162,000 was paid in 2020, which has already excluded the dividend related to the ordinary shares held for the Share Award Scheme of RMB316,000 (final dividend for 2018 of RMB153,133,000 excluding the dividend related to the ordinary shares held for the Share Award Scheme of RMB1,325,000) (Note18(a)).

The directors did not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: same).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 12. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTY, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

	<b>Right-of-use Assets — land use rights and properties</b> RMB'000 (Unaudited)	<b>Property and equipment</b> RMB'000 (Unaudited)	<b>Investment property</b> RMB'000 (Unaudited)	<b>Intangible assets</b> RMB'000 (Unaudited)
<b>Six months ended 30 June 2020</b>				
Net book amount as at 1 January 2020	15,774	173,383	43,282	9,477
Additions (a)	157	41,474	—	—
Disposals	—	(196)	—	—
Transfers	—	(5,984)	5,984	—
Depreciation and amortisation	(383)	(7,002)	(616)	(215)
Net book amount as at 30 June 2020	15,548	201,675	48,650	9,262
<b>Six months ended 30 June 2019</b>				
Net book amount as at 1 January 2019	15,920	180,976	44,471	8,893
Additions	762	2,149	—	—
Disposals	—	(85)	—	—
Depreciation and amortisation	(439)	(7,150)	(556)	(28)
Net book amount as at 30 June 2019	16,243	175,890	43,915	8,865

- (a) For the six months ended 30 June 2020, additions to property and equipment mainly resulted from the acquisition of offices located in Beijing.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 13. DEFERRED INCOME TAX

#### Deferred income tax assets

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	9,240	9,477
— to be recovered after more than 12 months	42,941	41,012
	<b>52,181</b>	50,489

The movement of deferred income tax assets during the period is as follows:

	<b>Advertising expenses in excess of allowance RMB'000 (Unaudited)</b>	<b>Provision for impairment of trade receivables RMB'000 (Unaudited)</b>	<b>Accrued advertising and other expenses RMB'000 (Unaudited)</b>	<b>Tax losses RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
At 1 January 2020	12,730	24,244	6,931	6,584	50,489
(Charge)/Credited to the condensed consolidated interim income statement	(1,575)	9,542	309	(6,584)	1,692
At 30 June 2020	11,155	33,786	7,240	—	52,181
At 1 January 2019	18,844	18,493	6,920	8,765	53,022
Credited to the condensed consolidated interim income statement	385	2,003	1,877	2,204	6,469
At 30 June 2019	19,229	20,496	8,797	10,969	59,491

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 13. DEFERRED INCOME TAX (CONTINUED)

#### Deferred income tax assets (continued)

The expiry date of tax losses carried forward in respect of which deferred tax assets have not been accounted for is as follows:

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Expire in 2020	9,505	9,505
Expire in 2021	5,655	5,655
Expire in 2022	8,697	8,697
Expire in 2023	9,835	9,835
Expire in 2024	8,612	8,612
Expire in 2025	13,879	—
Expire in 2027	16,704	16,704
Expire in 2028	8,202	8,202
Expire in 2030	5,998	—
	<b>87,087</b>	67,210

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 13. DEFERRED INCOME TAX (CONTINUED)

#### Deferred income tax liabilities

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Deferred income tax liabilities:		
— to be recovered within 12 months	<b>2,500</b>	—

The movement of deferred income tax liabilities during the period is as follows:

	<b>Withholding tax on the earnings anticipated to be remitted by PRC subsidiaries RMB'000 (Unaudited)</b>
At 1 January 2020	—
Charged to the condensed consolidated interim income statement	<b>2,500</b>
At 30 June 2020	<b>2,500</b>
At 1 January 2019	—
Charged to the condensed consolidated interim income statement	4,950
At 30 June 2019	4,950

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong. Hence, the Group used 5% as its withholding tax rate for certain Hong Kong intermediate holding companies which are expected to fulfill the aforesaid conditions.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14. TRADE AND OTHER RECEIVABLES, NOTES RECEIVABLE AND PREPAYMENTS

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Trade receivables, net of impairment provision (a)	<b>503,834</b>	622,965
Other receivables (b)	<b>29,972</b>	19,308
Notes receivable	<b>21,314</b>	469
Prepayments	<b>13,202</b>	1,730
	<b>568,322</b>	644,472
Less: non-current portion Other receivables (Note 18(a))	<b>2,924</b>	—
	<b>565,398</b>	644,472

As at 30 June 2020, trade and other receivables, notes receivable and prepayments were all dominated in RMB (31 December 2019: same).

#### (a) Trade receivables, net of impairment provision

Credit terms granted by the Group are generally within a period of three months to one year. The ageing analysis of the trade receivables (net of impairment provision of RMB145,982,000 (31 December 2019: RMB108,427,000)) is as follows:

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Current to 6 months	<b>323,808</b>	347,183
6 months to 1 year	<b>86,673</b>	203,797
1 year to 2 years	<b>82,353</b>	60,985
above 2 years	<b>11,000</b>	11,000
	<b>503,834</b>	622,965

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 14. TRADE AND OTHER RECEIVABLES, NOTES RECEIVABLE AND PREPAYMENTS (CONTINUED)

#### (a) Trade receivables, net of impairment provision (continued)

The ending loss allowances for trade receivables reconcile to the opening loss allowances as follows:

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
At beginning of the period/year	<b>108,427</b>	78,763
Impairment charge of receivables	<b>40,554</b>	32,457
Receivables write off	<b>(2,999)</b>	(2,793)
At end of the period/year	<b>145,982</b>	108,427

Management has assessed the expected credit losses of trade receivables and impairment provision of RMB40,554,000 was made for the period accordingly.

#### (b) Other receivables

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Input value added tax deductible	<b>14,145</b>	8,998
Advance to employees	<b>7,895</b>	4,424
Rental receivable	<b>1,236</b>	1,190
Others	<b>6,696</b>	4,696
	<b>29,972</b>	19,308

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 15. INVESTMENT IN EQUITY FUND

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Investment in equity fund	<b>49,888</b>	52,876

Movement in investment in equity fund during the period is as follows:

	<b>Unaudited Six months ended 30 June 2020 RMB'000</b>	2019 RMB'000
At beginning of the period	<b>52,876</b>	45,632
Changes in fair value	<b>(2,988)</b>	19,869
At end of the period	<b>49,888</b>	65,501

### 16. ORDINARY SHARES

	<b>Authorised ordinary shares</b>		
	Number of shares ('000)	HKD'000	RMB'000
At 31 December 2019 and 30 June 2020	100,000,000	1,000,000	969,200

  

	<b>Issued and fully paid up</b>		
	Number of shares ('000) (Unaudited)	HKD'000 (Unaudited)	RMB'000 (Unaudited)
At 31 December 2019 and 30 June 2020	1,134,055	11,341	10,491

As at 30 June 2020, the total number of issued ordinary shares of the Company was 1,134,055,000 shares (31 December 2019: same) which included 2,933,000 shares (31 December 2019: 9,733,000 shares) held under the Share Award Scheme (Note 18 (a)).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 17. ACCRUALS AND OTHER PAYABLES

	<b>Unaudited As at 30 June 2020 RMB'000</b>	Audited As at 31 December 2019 RMB'000
Accrued expenses (a)	<b>199,250</b>	252,733
Salaries payable	<b>37,872</b>	44,746
Other tax payables	<b>3,904</b>	5,518
Other payables (b)	<b>15,229</b>	13,387
	<b>256,255</b>	316,384

- (a) Accrued expenses mainly represented accrued service commission fees payable to advertising agencies and accrued advertising expenses.
- (b) Other payables mainly represented deposits due to third parties.

### 18. SHARE-BASED COMPENSATION COSTS

#### (a) Share award scheme

On 10 January 2011 (the "Adoption Date"), the Board approved and adopted the Share Award Scheme for selected employees of the Group. The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the Share Award Scheme and holding shares awarded or to be awarded to the employees (the "Awarded Shares") before vesting. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

The Board implements the scheme in accordance with the terms of the scheme rules including providing necessary funds to the trustee for the purchase of shares up to 2.5% of the issued share capital of the Company as of the Adoption Date.

Employees are not entitled to dividends on any awarded shares until these shares are transferred to them at the end of the vesting period.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. SHARE-BASED COMPENSATION COSTS (CONTINUED)

#### (a) Share award scheme (continued)

The movement in the number of shares held for the Share Award Scheme during the period is as follows:

	<b>Unaudited Number of shares held by the trustee (thousands)</b>	<b>RMB'000</b>
At 1 January 2020	<b>9,733</b>	<b>10,229</b>
Granted and transferred	<b>(6,800)</b>	<b>(8,090)</b>
At 30 June 2020	<b>2,933</b>	<b>2,139</b>
At 1 January 2019	10,033	10,749
Granted and transferred	(300)	(520)
At 30 June 2019	9,733	10,229

For the Awarded Shares granted under the Share Award Scheme, the fair value is recognised as an expense over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Awarded Shares granted.

During the six months ended 30 June 2020, 6,800,000 shares originally held by the trustee were granted and transferred to certain employees upon the grant of such Awarded Shares. A credit of RMB8,090,000 to equity was recorded in the Group's consolidated balance sheet.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 18. SHARE-BASED COMPENSATION COSTS (CONTINUED)

#### (a) Share award scheme (continued)

The fair value of the Awarded Shares was calculated based on market prices of the Company's shares as at the respective grant dates. A total expense of RMB5,166,000 was recognised for employee services received in respect of the Share Award Scheme for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB520,000).

If the employees leave the Group before the vesting period stipulated in the agreement with the Group, the employees are required to pay back the Group in cash amounting to the fair value of the shares at grant date in proportion to the unserved period. An asset of RMB2,924,000 was recognised in other receivable in financial statements.

During the six months ended 30 June 2020, the Share Award Scheme Trust received cash dividend amounting to RMB316,000 (six months ended 30 June 2019: RMB1,325,000) which will be used to pay for the fees of trust or purchase a maximum number of shares as specified by the Board.

### 19. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other parties or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

#### (a) Name and relationship with related parties

<b>Name</b>	<b>Relationship</b>
Mr. Wang Ta-Hsing ("Mr. Wang")	Key management personnel of the Group
Kexim Company Limited ("Kexim")	Controlled by Mr. Wang
Beijing Pacific Times Property Management Co., Ltd. ("Pacific Times")	Controlled by Mr. Wang
Guangdong EJauto Information Technology Co., Ltd. ("EJauto")	Associate

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 19. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Related party transactions

The Group undertook the following related party transactions during the period:

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Rental expenses for office and advertising billboards: Kexim	<b>180</b>	174
Property management service for office: Pacific Times	<b>19</b>	60

These transactions were conducted at terms pursuant to agreements entered into between the Group and the respective related parties.

#### (c) Balances with related parties

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2020</b> <b>RMB'000</b>	Audited As at 31 December 2019 RMB'000
Included in other payables: EJauto (i)	<b>5,388</b>	5,388

(i) The amounts represented deposits from the related party and are unsecured and interest-free.



## CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present the interim results of the Company for the six months ended 30 June 2020 to our shareholders.

The total revenue for the first half of the year came out to about RMB391.9 million, a decrease of 21.8% from the year before. During the reporting period, the global business environment and China's economy have been heavily affected by both the COVID-19 global pandemic and the ongoing Sino-US trade dispute and most of the related industries in China have experienced stagnant or negative growth. However, despite the challenging environment, through continued cost optimization, the Company has been able to minimize the impact to cash flows and continue to maintain normal operations. The performance in the first half was further dampened by provisions made on impairments of financial assets due to a longer account receivables outstanding.

PCauto's revenue has decreased by 14.8% compared to the year before and accounted for 84.2% of the total revenue of the Company in the first half of 2020. China's automobile industry experienced a massive slump in demand in the first three months of 2020 as automobile dealerships remained closed due to COVID-19 before experiencing a sharp rebound in the second quarter of 2020, eclipsing 2019's same period sales. Despite the impact, PCauto's revenue was only affected minimally compared to the previous year and was able to maintain normal operations and consistent cash flow. During this time, PCauto has continued to develop new platforms and media standards with OEMs (Original Equipment Manufacturer) and industry bodies such as promoting cloud-based auto shows and brand promotion events. PCauto's "Cool Car Project" has continued to add collaborative partners in developing new marketing products and developing the aftersales market.

Other portals including POnline, PClady, PCbaby and PChouse have also experienced a decrease in revenue when compared to the same period last year. In the first half of 2020, market demand and conditions in those portals have been significantly affected. Demand in the PChouse market had effectively grounded to a halt at various times due to the pandemic. While demand in the POnline and PCbaby has slowed, markets have been heavily affected by disruptions to supply chains and logistics, slowed cross-border trade, a slow resumption to work and repeated virus outbreaks. As a result, many companies have reduced their active marketing activities to a minimum. Similarly, the Company was also forced to cancel a number of offline content and marketing initiatives including "prenatal coaching class" with PCbaby and "Paris Fashion Week" with PClady due to strict travel restrictions that were imposed.

Looking forward, the Company will continue to adapt to these changing conditions with continued cost optimization and a focus on new product technologies. In the second half of 2020, we will continue to monitor the global political and public health developments and its associated impact on our industries, but we remain cautiously optimistic regarding the Company's prospects.



## MANAGEMENT DISCUSSION AND ANALYSIS

### REVENUE

Revenue decreased by 21.8% from RMB500.9 million for the six months ended 30 June 2019 to RMB391.9 million for the six months ended 30 June 2020.

Revenue for PCauto, the Group's automobile portal, decreased by 14.8% from RMB387.7 million for the six months ended 30 June 2019 to RMB330.1 million during the six months ended 30 June 2020. The decrease in revenue for PCauto was mainly due to reduced advertising spending from automobile manufacturers. As a percentage of revenue, PCauto accounted for 77.4% during the six months ended 30 June 2019 and 84.2% during the six months ended 30 June 2020.

Revenue for POnline, the Group's IT and consumer electronics portal, decreased by 31.2% from RMB67.7 million during the six months ended 30 June 2019 to RMB46.6 million during the six months ended 30 June 2020. The decrease was due to decline in demand from consumer electronics manufacturers. As a percentage of revenue, POnline accounted for 13.5% during the six months ended 30 June 2019 and 11.9% during the six months ended 30 June 2020.

Revenue from other operations, including the PClady, PCbaby and PChouse portals, decreased by 66.6% from RMB45.6 million during the six months ended 30 June 2019 to RMB15.2 million during the six months ended 30 June 2020. The decrease was mainly due to decline in demand from major brands. As a percentage of revenue, revenue from other operations accounted for 9.1% during the six months ended 30 June 2019 and 3.9% during the six months ended 30 June 2020.

### COST OF REVENUE

Cost of revenue decreased by 30.2% from RMB209.9 million during the six months ended 30 June 2019 to RMB146.5 million during the six months ended 30 June 2020. Gross profit margin was 58.1% during the six months ended 30 June 2019 and 62.6% during the six months ended 30 June 2020.

The decrease in cost of revenue was mainly due to decrease in outsourcing production cost, commission to advertising agencies, technology service fees and taxes and surcharges during the period.

### SELLING AND MARKETING COSTS

Selling and marketing costs decreased by 26.5% from RMB122.6 million during the six months ended 30 June 2019 to RMB90.1 million during the six months ended 30 June 2020. The decrease was mainly due to less advertising expenses and staff costs during the period.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by 31.3% from RMB35.5 million during the six months ended 30 June 2019 to RMB46.6 million during the six months ended 30 June 2020, mainly due to a compensation payment of RMB12 million for a commercial settlement during the period.



## MANAGEMENT DISCUSSION AND ANALYSIS

### NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Net impairment losses on financial assets was RMB8.9 million during the six months ended 30 June 2019 and was RMB40.6 million during the six months ended 30 June 2020. The increase was mainly due to a longer account receivables outstanding during the period.

### PRODUCT DEVELOPMENT EXPENSES

Product development expenses decreased by 13.8% from RMB37.9 million during the period ended 30 June 2019 to RMB32.7 million during the period ended 30 June 2020. The decrease was primarily due to decrease in personnel-related expenses in the Group's research and development team.

### OTHER INCOME

Other income was RMB4.9 million during the six months ended 30 June 2019 and was RMB7.7 million during the six months ended 30 June 2020. The increase was due to an increase of non-recurring government grants received during the period.

### FINANCE INCOME

Net finance income was RMB3.1 million during the six months ended 30 June 2019 and was RMB4.0 million during the six months ended 30 June 2020. The increase was due to less net foreign exchange losses and more interest income during the six months ended 30 June 2020.

### INCOME TAX EXPENSE

Income tax expenses decreased by 48.0% from RMB17.1 million during the six months ended 30 June 2019 to RMB8.9 million during the six months ended 30 June 2020.

### NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Net profit attributable to equity holders decreased by 50.9% from RMB76.0 million during the six months ended 30 June 2019 to RMB37.3 million during the six months ended 30 June 2020.

### LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2020, the Group had short-term deposits and cash totaling RMB331.5 million, compared with RMB428.0 million as of 31 December 2019. The decline in cash was primarily due to the payment of a cash dividend totaling RMB122.2 million during the six months ended 30 June 2020.

The Company had no external debt as of 31 December 2019 and 30 June 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **BANK BORROWINGS**

As of 30 June 2020, The Group did not have any bank borrowings and therefore, its gearing ratio, representing the ratio of total bank borrowings to shareholders' equity, was nil. The Group also did not have any bank borrowings as of 31 December 2019.

### **PURCHASE OF PROPERTY AND EQUIPMENT**

During the six months ended 30 June 2020, the Group purchased a property for its own use in Beijing for RMB40.3 million.

### **MATERIAL ACQUISITIONS AND DISPOSAL**

During the six months ended 30 June 2020, the Group had no material acquisitions and disposals of subsidiaries and associates.

### **CHARGES ON ASSETS**

As of 30 June 2020, the Group had no bank deposits or other assets pledge to secure its banking facilities.

### **FOREIGN EXCHANGE RISK**

The Group's operating activities were principally carried out in Mainland China, with most of its transactions denominated and settled in Renminbi. Therefore, the overall foreign currency risk was not considered to be significant.

### **EMPLOYEES AND REMUNERATION INFORMATION**

As of 30 June 2020, the Group had 1,139 employees (31 December 2019: 1,212), a decrease of 6.0% from the first half of 2020. This is the result of the Group's internal re-structuring and streamlining its support operations. The Group determines staff's remuneration based on factors such as performance and years of experience.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

### **AUDIT COMMITTEE**

The Audit Committee of the Company, which comprises all the three independent non-executive directors of the Company, namely, Mr. Tsui Yiu Wa, Alec (Chairman of the Audit Committee), Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control and financial reporting matters, including the review of these interim results.

### **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2020, except that there is no separation of the role of chairman and chief executive as stipulated in the code provision A.2.1. Dr. Lam Wai Yan currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. As Dr. Lam is a co-founder of the Group and has extensive experience in the internet industry, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies. As such, it is beneficial to the business prospects of the Group.

### **SHARE OPTION PLAN**

The Company has adopted a Share Option Plan at the annual general meeting of the Company held on 19 May 2017. The purpose of the Share Option Plan of the Company is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

As at 30 June 2020, the Company has no outstanding share options under the Share Option Plan. No share options have been granted/exercised/cancelled/lapsed under the Share Option Plan during the six months ended 30 June 2020.

## OTHER INFORMATION

### DIRECTORS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### Interests in shares of the Company

Name of director	Long/Short position	Capacity	Number of ordinary shares in the Company	Percentage of the Company's issued share capital <sup>†</sup>
Dr. Lam Wai Yan	Long	Beneficial owner	320,019,561	28.22%
Mr. Ho Kam Wah	Long	Interests held by a controlled corporation (Note)	99,348,480	8.76%
	Long	Beneficial owner	3,491,565	0.31%
			102,840,045	9.07%
Mr. Wang Ta-Hsing	Long	Beneficial owner	3,458,015	0.30%
Mr. Tsui Yiu Wa, Alec	Long	Beneficial owner	232,051	0.02%
Mr. Thaddeus Thomas Beczak	Long	Beneficial owner	232,051	0.02%

Note: These shares were held by Treasure Field Holdings Limited, a controlled corporation of Mr. Ho Kam Wah.

<sup>†</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, none of the directors or chief executive of the Company had any interests or short positions in the shares and underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, as far as the directors of the Company are aware, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Interests in shares of the Company

Name of substantial shareholder	Long/Short position	Capacity	Number of ordinary shares in the Company	Note	Percentage of the Company's issued share capital <sup>†</sup>
Ms. Ma Muk Lan	Long	Interests of spouse	320,019,561	(1)	28.22%
Gallop Assets Management Limited	Long	Beneficial owner	296,172,030	(2)	26.12%
J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust	Long	Trustee	296,172,030	(2)	26.12%
Treasure Field Holdings Limited	Long	Beneficial owner	99,348,480	(3)	8.76%

Notes:

- (1) Ms. Ma Muk Lan was deemed to be interested in 320,019,561 shares of the Company through the interests of her spouse, Dr. Lam Wai Yan.
- (2) These shares were held by Gallop Assets Management Limited, the entire issued share capital of which was owned by J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust. As such, J.P. Morgan Trust Company (Bahamas) Limited as trustee of The Gallop Trust was deemed to be interested in 296,172,030 shares of the Company held by Gallop Assets Management Limited.
- (3) The interests of Treasure Field Holdings Limited was also disclosed as the interests of Mr. Ho Kam Wah in the above section headed "Directors' interests in the shares and underlying shares of the Company and its associated corporations".

<sup>†</sup> The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2020.



## OTHER INFORMATION

Save as disclosed above, as at 30 June 2020, no person, other than the directors of the Company whose interests are set out in the above section headed “Directors’ interests in the shares and underlying shares of the Company and its associated corporations”, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors’ dealings in the Company’s securities (the “Own Code”) on terms no less exacting than the Model Code.

Specific enquiry has been made of the Company’s directors and all of them have confirmed that they have complied with the Own Code and the Model Code throughout the accounting period covered by the interim report.

### COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standards set out in the Model Code. For this purpose, Relevant Employees include any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company throughout the accounting period covered by the interim report.

### CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a director of the Company is set out below:

- Mr. Tsui Yiu Wa, Alec, an independent non-executive director of the Company, has retired as an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (a company listed on the main board of the Stock Exchange, stock code: 620) in May 2020.

### APPRECIATION

I would like to take this opportunity to express my gratitude, on behalf of the Board, to all our employees for their contribution and to all our shareholders for their continuous support of our Group.

On behalf of the Board  
**Pacific Online Limited**  
**Lam Wai Yan**  
*Chairman*

Hong Kong, 27 August 2020